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**OIL AND GAS LEASE**

**STATE OF TEXAS           §**

**COUNTY OF TARRANT §**

THIS LEASE AGREEMENT ("Lease") is made effective February 22<sup>nd</sup>, 2010, between **DAVID W GYNN AND WIFE FLORENCE GYNN**, whose address is 2908 Carson St, Haltom City, Texas 76117 (hereafter referred to as "Lessor"), and **DALE PROPERTY SERVICES, L.L.C.**, whose address is 2100 Ross Avenue, Suite 1870, LB-9, Dallas, Texas 75201 (hereafter referred to as "Lessee").

**1) Grant.** In consideration of Ten Dollars and other consideration in hand paid, Lessor grants and leases exclusively unto Lessee for the sole purpose of exploring, drilling, and producing oil and gas, laying pipelines and building roads and tanks thereon to produce, save, treat, process, store, and transport oil and gas and other products manufactured from oil and gas produced from the land, the following described land (the "Land") in Tarrant County, Texas; to-wit:

**6.90** acres of land, more or less, in the George Akers Survey, A-30, consisting of the following one (1) tract of land:

**17.51** acres of land, more or less, being that certain tract of land out of the George Akers Survey, Abstract No. 30 being more particularly described by metes and bounds in "Exhibit A" of that certain deed dated December 23<sup>rd</sup>, 2003 by and between O.B. Guynn, Jr., Iris Guynn Smith, and James Horstman Individually, as Personal representative of the Estate of Judith G. Horstman, Deceased, and as Sole Devisee under the Will of Judith G. Horstman, Deceased, as Grantors and David Wayne Guynn, as Grantee, Recorded in Instrument # D203468101 of the Deed Records of Tarrant County, Texas.

**SAVE AND EXCEPT 10.61** acres, more or less, being a tract in the George Akers Survey, A-30, situated in the City of Haltom City, TARRANT County, Texas, and being Lot 1, Block 1, Ponderosa Addition to the City of Haltom City as shown on a plat recorded in Volume 388-165, Page 85, Plat Records, TARRANT County, Texas, together with a portion of a tract described in a deed of record in Volume 5025, Page 19, Deed Records, TARRANT County, Texas, said tracts being contiguous are considered for the purpose herein as one tract, and being more particularly described by metes and bounds in that Warranty Deed with Vendor's Lien, dated April 27, 2006, and recorded as Instrument #D206127977, Deed Records, Tarrant County, Texas.

**Said Land is Hereby Deemed to Contain 6.90 Acres of Land, more or less.**

**2) Primary Term.** This Lease is for a term of three (3) years from this date (called "Primary Term") and so long thereafter as oil or gas is produced from the Land in paying quantities or the lease is continued in effect as otherwise provided herein.

**3) Minerals Covered.** Notwithstanding any other provision hereof, this lease covers only oil and gas. The term "oil and gas" means oil, gas, and other liquid and gaseous hydrocarbons produced through a well bore.

**4) Royalty.**

a) The royalties to be paid Lessor are:

1) 25% of all oil (including distillate or condensate and other liquid hydrocarbons) produced and saved from the Land, the same to be delivered at the well or to the credit of Lessor into the pipeline to which the well or wells may be connected.

2) 25% of the gross proceeds received by Lessee at the point of delivery or first sale of all gas, including casinghead gas or other gaseous substances, produced from the Land.

3) 25% of the market value of all plant products (including residue gas), free of any processing cost, where gas is processed in a plant on or off the Land by Lessee or any affiliated person or entity, and if processed, but not by Lessee or an affiliated person or entity, 25% of that part of the gross proceeds received by Lessee for the processed gas and products therefrom that are allocable to the production from the Land.

b) Lessor's royalty will never bear, either directly or indirectly, any part of the costs or expenses of pre- and post-production, production, separation, gathering, dehydration, compression, transportation, trucking, processing, treatment, storage, or marketing of the oil or gas produced from the leased premises incurred prior to the sale of such oil and gas to the first non-affiliate of Lessee, or any part of the incurred costs of construction, operation, or depreciation of any plant or other facilities or equipment used in the handling of oil or gas from the leased premises. It is the intent of the parties that the foregoing provisions of this paragraph are to be fully effective and enforceable and are not to be construed as "surplusage" under the principals set forth in *Heritage Resources v. Nations Bank*, 939 S.W.2d 118 (Tex. 1996). Notwithstanding anything to the contrary, Lessor's royalty will bear its pro-rata share of transportation charges for downstream transportation, provided the charges are made by a company which is not an affiliate of, or related party to, Lessee (or its assigns), and provided they do not exceed an amount reasonably commensurate with charges by non-affiliated entities to unrelated operators in the area of the leased premises.

c) Lessee must disburse or cause to be disbursed to Lessor its royalty on production from a particular well not later than 120 days after the end of the month following first delivery of gas from the well into the pipeline. Thereafter, Lessee must disburse or cause to be disbursed to Lessor by the last day of each month its royalty on production for which Lessee received payment in the preceding month, but in no event shall royalty be paid more than 60 days after the last day of the month of production. If not paid when due, Lessor's royalty shall bear interest at the maximum lawful rate from due date until paid, which amount Lessee agrees to pay.

d) Acceptance by Lessor of royalties that are past due shall not act as a waiver or estoppel of its right to receive interest due thereon unless Lessor expressly so provides in writing signed by Lessor.

e) The receipt by Lessee, or Lessee's operator, from a purchaser or a pipeline company of proceeds of production for distribution to Lessor will not result in Lessee, or Lessee's operator, acquiring legal or equitable title to those proceeds, but Lessee, or Lessee's operator, will at all times hold the proceeds in trust for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser of production from the Land or pipeline company transporting production from the Land, Lessee will remain liable for payment to Lessor for, and agrees to pay Lessor all royalties due Lessor together with interest if not timely paid.

f) Gas produced from the Land shall not be commingled with gas produced from any other lands prior to the point where the gas produced from this lease passes through the meter which will measure the gas for calculating the payment made by the purchaser of gas production. In addition, without prior written consent of Lessor, any gathering system constructed on the lease shall not be used for transporting gas produced from land not covered by this lease or lands pooled therewith.

**5) Shut-in Royalty.** If there is a gas well on this Lease capable of producing in paying quantities, but gas is not being sold, Lessee shall pay or tender in advance \$10.00 per acre annual royalty for each well from which gas is not being sold. Payment with respect to a well will be due within 90 days after the well is shut-in. While royalty payments are timely and properly paid, this Lease will be held as a producing lease. After the expiration of the primary term, the right of Lessee to maintain this Lease in force by payment of shut-in gas royalty is limited to two consecutive years and a cumulative four years within any eight year period. The obligation of Lessee to pay shut-in royalty is a condition and not a covenant. The payment or tender of royalty under this paragraph may be made by the check of Lessee mailed or delivered to the parties entitled thereto on or before the due date.

## 6) Continuous Development.

a) If at the expiration of the Primary Term oil or gas is not being produced from the Leased Premises or lands pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon or shall have completed a well, either as a producer or a dry hole, within one hundred twenty (120) days prior to the end of the Primary Term, this Lease shall remain in force so long as operations are continued in good faith and with reasonable diligence and not more than one hundred twenty (120) days shall elapse between the completion or abandonment of a well and the commencement of operations to drill a subsequent well and, if such operations result in the production of oil or gas, so long thereafter as oil and gas is produced from the Leased premises.

b) If after the expiration of the primary term production from any well shall cease for any cause, Lessee shall have 60 days from the cessation of production to commence, and thereafter prosecute with due diligence drilling or reworking operations in a good faith attempt to restore production from the tract on which the well is located with no cessation of more than 60 days, and if such operations result in production, this lease shall continue as to such tract for so long as production in paying quantities continues from such tract.

c) Upon the expiration of the Primary Term, or such later time as the Lease is not maintained by continuous development, this Lease will terminate except as to the acreage included within a proration unit surrounding any well that is then producing in paying quantities or deemed to be producing in paying quantities by virtue of payment of shut-in royalties (hereafter a "Retained Tract"), and as to each Retained Tract, the Lease will then terminate as to all depths below 100 feet below the stratigraphic equivalent of the base of the deepest producing formation on the Retained Tract. The Lease will be treated as a separate lease with respect to each Retained Tract and will continue so long as production in paying quantities continues from the tract.

**7) Pooling.** In the event the Land is pooled and/or unitized with other lands, then the Land may be pooled and/or unitized in its entirety or partially, but as to any Lands not pooled and/or unitized, this Lease will terminate upon the expiration of the primary term or the continuous development program. The size of the unit shall not exceed the minimum size necessary to obtain the maximum production allowable. In the case of a well producing from the Barnett Shale formation, the unit may not exceed 40 acres for a vertical well, and a unit for a horizontal well may include up to 320 acres plus a 10 acre tolerance. Lessee shall file for record in Real Property Records where the Land is located, an instrument describing and designating the pooled acreage and depths for the pooled unit, and upon such recordation, the unit shall become effective as to all parties hereto. Lessee may at its election exercise its pooling option before or after commencing operations. In the event of operations for drilling on or production of oil or gas from any part of the pooled unit which includes the Land, the operations or production shall be considered as operations on or production of oil or gas from the Land, whether or not the well is located on the Land. For the purpose of computing the royalties to which owners of royalties payments out of production shall be entitled on production of oil or gas, or either of them, from the pooled unit, there shall be allocated to the Land and included in the unit that prorated portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this Lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties shall be computed on the portion of such production whether it be oil and gas, or either of them, so allocated to the Land and included in the unit just as though such production was from the Land. Provided, however, notwithstanding any other provision in this Lease, in the event Lessor plans to drill three or more laterals, in one or more wells, in each unit, Lessee may form one or more units for horizontal Barnett wells consisting of up to 480 acres, plus a 10 acre variance each.

**8) Force Majeure.** Should Lessee be prevented by reason of Force Majeure from complying with any express or implied covenant of this Lease (other than a requirement to pay money), from conducting drilling or reworking operations on the Land, or from producing oil or gas, then while so prevented, that covenant will be suspended; Lessee will not be liable for damages for failure to comply therewith; this Lease will be extended so long as Lessee is prevented from conducting drilling or reworking operations on or from producing oil or gas from the Land; and the time while Lessee is so prevented will not be counted against Lessee. "Force Majeure" means any Act of God, any federal or state law, or any rule or regulation of governmental authority, or other similar cause (other than financial reasons). This paragraph is,

however, in all things subject to the limitations of time during which this Lease may be continued in force by the payment of shut-in gas royalties.

**9) Special Warranty.** Lessor warrants title to the Land by, through and under Lessor, but not otherwise. By acceptance of this lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land, and Lessee assumes all risk of title failures. If Lessor owns an interest in the Land less than the entire fee simple estate, then the royalties payable hereunder shall be reduced proportionately. Lessee, at its option, may discharge any tax, mortgage, or other lien on the Land, and in the event Lessee does so, Lessee will have the option to apply the royalties accruing to Lessor toward payment of it.

**10) Curing Defaults.** Should Lessee at any time fail to comply with its obligations hereunder regarding construction, maintenance, or repair, Lessor shall have the right, after giving 30 days prior written notice to Lessee, to do or have done whatever is necessary to fulfill the obligations to its satisfaction, and Lessee shall be liable to Lessor for the reasonable and necessary expenses thus incurred by Lessor, to be paid within 30 days after Lessor shall have furnished Lessee an itemized written statement of the expenses.

**11) Notices.** All notices shall be deemed given and reports shall be deemed delivered if sent by certified letter, personal delivery, Federal Express, or other courier service, properly addressed and deposited in the United States mail, postage prepaid, to Lessor and Lessee at the addresses shown above, or by personal delivery or delivery by Federal Express or other courier service which provides verification of receipt.

**12) Attorney's Fees.** In the event that Lessor or Lessee shall be required to employ legal counsel for the enforcement of any provision of this lease and prevails, upon receipt of a final unappealable judgment the party found to be in default of the provisions of the lease shall be liable to the other party for reasonable attorney's fees and expenses incurred in connection with enforcing the rights under this lease.

**13) Indemnity.** LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE FOR INJURY TO OR DEATH OF PERSONS AND LOSS OR DAMAGE TO PROPERTY, INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEY'S FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY LESSEE'S OPERATIONS ON THE LAND OR LESSEE'S MARKETING OF PRODUCTION FROM THE LAND OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS.

**14) Insurance Coverage.** At all times while this Lease is in force, Lessee shall acquire and maintain insurance covering all of its operations on the Land, including any work performed on its behalf by contractors, sub-contractors, and others, naming Lessor and related individuals and entities designated by Lessor as additional insureds. The policy shall include coverage for comprehensive general liability for bodily injury and property damage, blowout and loss of well coverage and coverage for any damage to the environment, including coverage for the cost of cleanup and surface mediation. The general liability insurance shall be in the minimum amount of Five Million Dollars (\$5,000,000). Upon written request Lessee shall furnish a certificate from the issuing insurance company or companies evidencing the coverage.

**15) No Surface Use.** Notwithstanding anything contained herein, Lessee shall not conduct any surface operations on the herein leased premises, however, Lessee shall have the right to explore for the oil and gas under the leased premises and the right to drill, operate and produce directional and/or horizontal wells through and under the leased premises, irrespective of the bottom hole locations of such wells. To this end, Lessor grants to Lessee a subsurface easement for all purposes associated with such horizontal and/or directional wells.

**16) Commencement of Operations.** The commencement of operations means the actual drilling of the surface with a drilling rig capable of drilling to the anticipated total depth of the well. After a well is commenced, drilling operations must continue in a good and workmanlike

manner in a good faith effort to reach the anticipated total depth with no cessation of operations for more than 60 consecutive days. If the maximum time for the commencement of the actual drilling of a well expires without the commencement of the well, or upon the expiration of the Primary Term if the Lease is not maintained by continuous drilling, this Lease will terminate except as to the Retained Tract (defined above) surrounding any well that is then producing in paying quantities or deemed to be producing in paying quantities by virtue of payment of shut-in royalties, and as to each Retained Tract, the Lease will terminate as to all depths below the stratigraphic equivalent of the base of the deepest producing formation on the Retained Tract. The Lease will be treated as a separate lease with respect to each Retained Tract and will continue so long as production in paying quantities continues from the Retained Tract. If production from a Retained Tract ceases from any cause, this Lease will terminate as to that tract unless Lessee commences operations for drilling or reworking on the Retained Tract within sixty (60) days following the cessation of production, in which case the Lease as to that tract will continue in force as long as the operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in production, so long thereafter as there is production from the Retained Tract.

**17) Releases.** Upon written request, after the expiration of the Primary Term or the continuous development program, Lessee must file in the county records and furnish to Lessor a document designating each Retained Tract by metes and bounds and the retained depths thereunder and releasing all other depths and acreage. A gas well that thereafter becomes an oil well will hold only the acreage permitted for an oil well, and Lessee must file in the county records a redesignation of the tract as an oil well tract. If Lessee fails to file timely a document required by this paragraph after 30 days prior written notice from Lessor, then Lessor may do so, and the filing will bind Lessee.

**18) Miscellaneous Provisions.**

a) In the event this lease expires for any reason as to all or any part of the Land, Lessee shall promptly furnish Lessor with a written, recordable release covering all of the Land or that portion of the Land to be released.

b) Nothing in this lease negates the usual implied covenants imposed upon Lessee.

c) Upon Lessor's written request, Lessee shall furnish Lessor with copies of all title opinions prepared for Lessee covering the land or any portion thereof. Such title information shall be without warranty and will be provided for informational purposes only.

d) Whenever Lessee files a report with the Railroad Commission of Texas or other governmental authority having jurisdiction, including, but not limited to, applications to drill, well tests, completion reports, plugging records, production reports, and unit designations Lessee shall, at the same time, deliver a copy of the report to Lessor, upon written request by Lessor.

e) No obligation of Lessee to pay money under this lease will be excused or delayed by reason of Force Majeure. Lessee's obligations to pay money under this lease are to be performed in Tarrant County, Texas. Paragraph headings are used in this lease for convenience only and are not considered in the interpretation or construction of this lease. The execution or ratification by Lessor of any division order, gas contract, or any other document will not alter any provision of this lease unless the intent to do so is expressly stated in the document.

f) This lease is binding upon and for the benefit of Lessor, Lessee, and their respective heirs, personal representatives, successors, and assigns. Executed on the date of the acknowledgments but effective as of the date first above written.

g) A MEMORANDUM OF LEASE showing the limited acres of surface use, and not the actual Lease instrument with its addendum may be filed of record in Tarrant County, Texas, in order to give constructive notice of Lessee's leasehold interest in the property.

h) Any reference to "continuous development" in the entirety of this lease shall be understood to be referring to paragraph 6 of this lease.

LESSOR:

By: David W. Guynn  
David W Guynn

LESSOR:

By: Florence Guynn  
Florence Guynn

LESSEE:

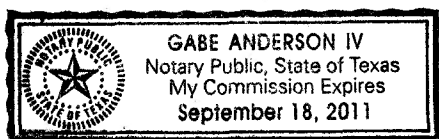
**DALE PROPERTY SERVICES, L.L.C.**

By: Justin Hollingsworth  
Justin Hollingsworth, Vice President-Leasing

STATE OF TEXAS §

COUNTY OF TARRANT §

This instrument was acknowledged before me on this 22<sup>nd</sup> day of February, 2010,  
by David W Guynn.

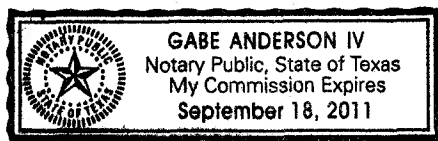


Gabe Anderson IV  
Notary Public in and for the State of Texas

STATE OF TEXAS §

COUNTY OF TARRANT §

This instrument was acknowledged before me on this 22<sup>nd</sup> day of February, 2010,  
by Florence Guynn.

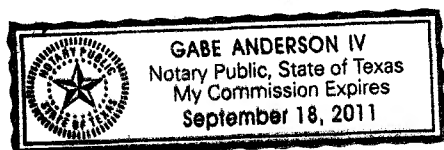


Gabe Anderson IV  
Notary Public in and for the State of Texas

STATE OF TEXAS §

COUNTY OF DALLAS §

This instrument was acknowledged before me on this 22<sup>nd</sup> day of February, 2010,  
by **Justin Hollingsworth**, Vice President-Leasing of **DALE PROPERTY SERVICES, L.L.C.**,  
a Texas limited liability company, on behalf of said company.



Gabe Anderson IV  
Notary Public in and for the State of Texas

SUZANNE HENDERSON

COUNTY CLERK



100 West Weatherford Fort Worth, TX 76196-0401

PHONE (817) 884-1195

DALE RESOURCES LLC  
2100 ROSS AVE STE 1870 LB-9  
DALLAS, TX 75201

Submitter: DALE RESOURCES LLC

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 2/25/2010 2:34 PM

Instrument #: D210042467

LSE

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PGS

\$36.00

By: \_\_\_\_\_

*Suzanne Henderson*

D210042467

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY  
BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

Prepared by: AKCHRISTIAN